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**Hydropower Investment
Promotion Project (HIPP)**

OUTLINE FOR SUPPLIER-OF-LAST-RESORT RULES

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OUTLINE FOR SUPPLIER-OF- LAST-RESORT RULES

USAID HYDROPOWER INVESTMENT PROMOTION PROJECT (HIPP)

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LIST OF ACRONYMS

DSO	Distribution System Operator
GEMM 2015	Georgian Electricity Market Model 2015
GNERC	Georgian National Energy and Water Supply Regulatory Commission
GoG	Government of Georgia
HIPP	Hydropower Investment Promotion Project
HPP	Hydropower plant
SOLR	Supplier of Last Resort
USAID	United States Agency for International Development

1. INTRODUCTION

The Government of Georgia (GoG) and USAID agreed in principle on the establishment of the Georgian Electricity Market Model (GEMM) for the year 2015. Under GEMM 2015, a list of the regulatory instruments, rules and regulations should be in place by 2015. This report provides a draft outline of supplier-of-last-resort rules based on international experience and taking into consideration Georgian electricity sector specifics.

The rules should be developed and approved by GNERC as part of GEMM 2015 and the associated competitive market regulations. The rules provide the details on how to handle the situation when a customer's supplier of electricity defaults and can no longer supply electricity. In Georgia, HPPs can be suppliers to retail consumer and these rules should already be in place to protect the interest of both customers and the suppliers of electricity.

USAID/HIPP has reviewed the legislation from several countries and found that most countries include supplier-of-last-resort rules in various chapters of grid rules, the market rules or rules on open access and we recommend that the Georgian Government and GNERC consider doing the same.

There are a few issues that need be discussed and agreed upon by the GoG and GNERC, including:

- Who can be an SOLR? Either:
 - ü All suppliers are considered as SOLR;
 - ü SOLRs are appointed for defined Geographical Area such as DSO; or
 - ü Only one SOLR is appointed.
- Which customers are eligible to be covered by SOLR service? Either:
 - ü All customers are eligible and may benefit from SOLR
 - ü Protection is restricted within a specified annual consumption level
 - ü SOLR applies only for household customers.

The draft outline of the SOLR rules follow.

OUTLINE OF SUPPLIER-OF-LAST-RESORT RULES

I. GENERAL

1. Definition of Supplier-of-Last-Resort and the purpose of this Methodology
2. Contractual Relationships between eligible customers and SOLR in publicly available general terms, according to electricity trading rules.

II. SELECTION OF THE SOLR

1. Party responsible for selecting the Supplier-of-Last-Resort
2. Term of SOLR
3. Selection of SOLR
4. Replacing an SOLR
 - a. Mid-term
 - b. At end of Term

III. METHOD FOR PRICING OF ELECTRICITY FROM A SUPPLIER OF LAST RESORT

1. Relationship between SOLR and ESCO and/or MO
2. Calculation of the average purchasing price of electricity purchased from the SOLR
3. Calculation of the Electricity Price
4. Calculation of the costs of purchased electricity from SOLR.
5. Average selling price of the electricity purchased by customers of SOLR
6. Different tariff structure for customer categories.
7. Determination of the Mark-up included in the Average selling price of the electricity purchased from of SOLR.
8. Preparation of schedules of Daily Load Profiles by SOLR .
9. Regulation of GNERC over Tariff calculation process.

IV. DISPUTE RESOLUTION

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